

Southwest Airlines and Union Alliance

Since capturing the national limelight in 1994, Southwest Airlines has become a model for providing reliable service in a difficult operating environment-and for making money doing it. The company's success has been attributed to its intense focus on operations, customers, and frontline employees. Other sources of success; however, have received less attention. A five-hour interview with members of the company's top management team revealed some of these overlooked reasons for Southwest's remarkable performance. For example, investing in relationships-not only with its frontline employees but also with its unions and supervisors may be more important to Southwest's success than the operational focus for which it is so well known.

Jim Parker: We have been successful in negotiations when we go in asking how much we can pay employees rather than how little we can pay. We have been able to reach resolution without work stoppages. We had a landmark 10-year contract in 1994, in which we offered stock options to compensate for a five-year pay freeze for pilots. Union leaders did not think they could sell it to the members, but the members readily agreed to it. Then our negotiations focused on how to allocate stock options. The stock-option program has been highly successful. Most labor disputes are not truly about money. There is something else at stake - respect. It comes down to personal contact between the company and its employees.

Conover: This is one reason our supervisors are so important, it is easier to walk out on people who do not give you respect than to walk out on a friend. And you cannot make up for longstanding problems in the two months before a negotiation. It needs to be consistent.

Barrett: We have had one strike-a six-day strike with the mechanics in 1980. We got them temporary jobs with the census during the strike. We are very proud of our employee relationships. We treat people with respect. But we would take a strike if it got down to it especially if it was about money and we simply could not concede without hurting all employees by the decision. We are loving but very realistic and very pragmatic.

Reference:

Gittel, J.H. Investing in Relationships. A discussion with Southwest Airlines' top management team reveals an overlooked source of the company's success. HARVARD BUSINESS REVIEW.

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